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UNCLAS SECTION 01 OF 02 ROME 003008

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [EIND](#) [EAIR](#) [PINR](#) [EAIR](#) [PINR](#) [IT](#) [ITEIND](#)

SUBJECT: CHANGING CHAIRS IN ITALY

SUMMARY

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1. (U) THE GOVERNMENT OF ITALY, SPECIFICALLY THE MINISTRY OF ECONOMY AND FINANCE, RECENTLY CHANGED ITS SENIOR LEADERSHIP IN THREE OF THE CORPORATIONS IN WHICH IT HAS A MAJOR INTEREST: ENI (ITALIAN HYDROCARBON AGENCY), ENEL (NATIONAL UNCLASSIFIED

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ELECTRICITY COMPANY), AND FINMECCANICA (A GROUP OF DEFENSE, AVIATION AND AEROSPACE INDUSTRY COMPANIES). THESE ARE THE THREE LARGEST INDUSTRIAL GROUPS REMAINING CONTROLLED BY THE GOI. THE APPOINTMENTS WERE WELL RECEIVED BY THE FINANCIAL MARKETS WHICH PERCEIVED THEM AS A WELCOMED SIGN OF CONTINUITY.

FINMECCANICA

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2. (SBU) PIERFRANCESCO GUARGUAGLINI, FORMER PRESIDENT OF FINCANTIERI (ITALIAN SHIPBUILDERS' ASSOCIATION) IS THE NEWLY APPOINTED CHAIRMAN OF FINMECCANICA. GUARGUAGLINI, BORN IN 1937, HOLDS A PH.D. IN ELECTRONIC ENGINEERING FROM THE UNIVERSITY OF PENNSYLVANIA. IN ADDITION TO HARMONY WITH THE GOVERNMENT, CONTINUITY AND MARKET CONFIDENCE, GUARGUAGLINI MAY HAVE A MANDATE TO INCREASE INTERNATIONALIZATION OF THE COMPANY. FINMECCANICA IS A PARTIALLY STATE-OWNED COMPANY (37.4 PERCENT OWNED BY THE GOI) HOLDING THE MAJOR ITALIAN AEROSPACE PLAYERS (ALENIA AERONAUTICA, ALENIA DIFESA, ALENIA SPAZIO, 50 PERCENT OF ALENIA MARCONI SYSTEMS, AND 25 PERCENT OF AERMACCHI). ALTHOUGH THERE IS SPECULATION ABOUT CONTINUED PRIVATIZATION WHEN THE MARKETS STRENGTHEN, GUARGUAGLINI SAID, AT A RECENT LUNCH WITH AMBASSADOR SEMBLER THAT THE GOVERNMENT DOES NOT WISH TO PRIVATIZE ANY MORE OF FINMECCANICA, THUS PROTECTING ITALY'S STRATEGIC AND DEFENSE INDUSTRIES. HE ALLOWED THAT THE GOVERNMENT MAY DECIDE TO SPLIT SOME OF THE COMPANIES INTO CIVIL AND DEFENSE COMPONENTS AND PRIVATIZE THE CIVILIAN ELEMENTS, BUT EVEN THIS HAS NOT BEEN DECIDED. GUARGUAGLINI ALSO CONFIRMED RUMOR THAT FINMECCANICA WILL BE EXPECTED TO TAKE OVER FINCANTIERI, THE CORPORATION HE PREVIOUSLY HEADED. STILL OWNED 100 PERCENT BY THE GOI, ALTHOUGH IT HAS BEEN SLATED TO BE PRIVATIZED, FINCANTIERI UNCLASSIFIED

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EMPLOYS ROUGHLY 10,000, HAS A TURNOVER AROUND TWO BILLION EUROS/YEAR, AND HAS SUBSTANTIAL ORDERS FOR ITS SPECIALTIES -- CRUISE AND NAVAL SHIPS. FINCANTIERI AND FINMECCANICA HAVE TRADITIONALLY WORKED CLOSELY TOGETHER, AND COULD SHARE MORE THAN FIVE BILLION EUROS IN CONSTRUCTION IF THE NAVY SPENDS THIS ON A NEW CLASS OF FRIGATES. GUARGUAGLINI ALSO NOTED THAT, ALTHOUGH FINMECCANICA HAD DROPPED ITS BID TO BUY MARCONI COMMUNICATION FOR THE TIME BEING, THEY FULLY EXPECT MARCONI TO BE WILLING TO PURSUE THE DEAL A LITTLE LATER.

13. (U) ROBERTO TESTORE IS THE NEWLY APPOINTED MANAGING DIRECTOR AND DIRECTOR GENERAL OF FINMECCANICA. GIVEN THAT HE WAS A FIAT EMPLOYEE (SINCE 1976) AND THE MANAGING DIRECTOR OF FIAT AUTO (SINCE 1996), SOME THINK THAT HE MAY BE LOOKING TO CONSOLIDATE FIAT'S DEFENSE BUSINESS INTO FINMECCANICA. HIS NEW RESPONSIBILITY HOWEVER FOCUSES ON THE GROUP'S OPERATIONAL MANAGEMENT AND ON THE INTERNAL REORGANIZATION OF THE FINANCIAL STRUCTURE OF THE GROUP.

14. (SBU) COMMENT: SENIOR MANAGEMENT'S VIEW ON PRIVATIZING FINMECCANICA IS AT VARIANCE WITH WHAT WE HEAR ELSEWHERE. IT IS POSSIBLE THAT, AFTER HAVING MET THE EU'S MINIMAL PRIVATIZATION REQUIREMENTS, THE GOI WILL NOT PRIVATIZE ANY MORE OF FINMECCANICA. THERE IS ALSO THE VIEW THAT SELLING OFF THE COMMERCIAL ELEMENTS LEAVES THE WEAKER COMPONENTS IN GOI HANDS, WITH A NEED FOR LONG-TERM SUPPORT. MARCONI COMMUNICATION IS NOT PRIZE, BUT IF THE GOVERNMENT IS LOOKING TO 'PROTECT' WEAK DEFENSE PLAYERS, MARCONI MAY EVENTUALLY BE ASSIMILATED INTO FINMECCANICA. OUR VIEW ON FINMECCANICA'S ACQUIRING FIAT'S DEFENSE INDUSTRIES IS THAT IT WOULD NOT LEAD TO ANY NET SYNERGIES, BUT JUST BE TRADING ONE FORM OF UNCLASSIFIED

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POLITICAL POWER WITH ANOTHER. END COMMENT.

ENI

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15. (U) THE GOI OWNS MORE THAN 30 PERCENT OF ENI WHICH IS MORE NARROWLY FOCUSED ON ENERGY AND ENSURING ITALY'S ENERGY SECURITY. ENI ONLY HAD A PARTIAL CHANGE IN THE BOARD BECAUSE

VITTORIO MINCATO, THE MANAGING DIRECTOR, HAS BEEN RECONFIRMED. MINCATO HAS ONLY BEEN IN PLACE FOR SEVERAL YEARS, AND IS WIDELY REPUTED AS SHOWING STRONG LEADERSHIP. HE WILL BE SUPPORTED BY A NEWLY NAMED CHAIRMAN, ROBERTO POLI, WHO IS A WELL-KNOWN EXPERT IN CORPORATE FINANCING. FROM 1978 TO 1998 HE TAUGHT CORPORATE FINANCE AT CATHOLIC UNIVERSITY OF MILAN. POLI HAS IN THE PAST BEEN CHAIRMAN OF PUBLITALIA OF THE BERLUSCONI GROUP AND A MAIN CONSULTANT OF THE BERLUSCONI FAMILY IN THE RESTORATION OF FININVEST, BERLUSCONI'S ASSET HOLDING COMPANY.

ENEL

16. (U) TO THE SURPRISE OF MANY THERE WAS A COMPLETE OVERHAUL AT ENEL WHERE THE GOVERNMENT OWNS ABOUT 70 PERCENT. PAOLO SCARONI WILL BECOME THE NEW MANAGING DIRECTOR. HE HAS

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ACTION EUR-00

INFO	LOG-00	NP-00	AID-00	AMAD-00	ACQ-00	CIAE-00	COME-00
	CTME-00	DODE-00	ITCE-00	DOTE-00	DS-00	EB-00	EXME-00
	FAAE-00	FBIE-00	UTED-00	TEDE-00	INR-00	ITC-01	NSAE-00
	OMB-01	OPIC-01	STR-00	TEST-00	TRSE-00	DSCC-00	G-00
	SAS-00	/003W					

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R 191435Z JUN 02  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 4340  
INFO AMCONSUL FLORENCE  
AMCONSUL MILAN  
AMCONSUL NAPLES

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BEEN CHIEF EXECUTIVE OF PILKINGTON AEROSPACE, A BRITISH MULTINATIONAL, AND HE IS ALSO A CONSULTANT OF BAE. AS MANAGING DIRECTOR OF TECHINT, HE WAS CONDEMNED TO ONE YEAR AND FOUR MONTHS FOR PAYING BRIBES TO THE PSI (PARTITO SOCIALISTA ITALIANO) PARTY FOR ILLEGAL BIDS IN ENEL'S POWER PLANTS.

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17. (SBU) PIERO GNUDI WILL BECOME THE PRESIDENT, AND LEAVE HIS POSITION AS CHAIRMAN OF IRI (THE FORMER STATE HOLDING COMPANY FOR GOVERNMENT ENTERPRISES), WHICH IS REACHING THE END OF ITS NATURAL LIFE. GNUDI IS VIEWED AS A FAMILIAR FACE AND GIVEN HIS EXPERIENCE AT IRI WITH LIQUIDATING ITALIAN PARASTATALS HE SHOULD BE ABLE TO MOVE FORWARD WITH THE NEXT STEP IN THE PRIVATIZATION OF ENEL WHEN THE TIME IS RIGHT.

18. (SBU) FERNANDO NAPOLETANO, NEWLY APPOINTED TO THE BOARD OF ENEL, CONFIRMED IN HIS INTRODUCTORY MEETING WITH THE AMBASSADOR REPORTS THAT MINISTER OF PRODUCTIVE ACTIVITIES MARZANO HAS GIVEN ENEL THE MANDATE TO CONTINUE TO EXPAND ABROAD IN ITS MAJOR SECTORS: ENERGY AND TELECOMMUNICATIONS. THE GOVERNMENT ENVISIONS A MULTI-SECTOR CORPORATION ALONG THE LINES OF A GE TYPE OF OPERATION. NAPOLETANO, THE HEAD OF BOOZ, ALLEN, HAMILTON ITALIA, EMPHATICALLY SAID EXPANSION WAS THE ONLY REASON HE HAD BEEN APPOINTED TO THE BOARD AND THE ONLY REASON HE HAD ANY ADDED VALUE FOR ENEL.

COMMENT

19. (SBU) WE DO NOT ANTICIPATE THAT THE CHANGES IN THE LEADERSHIP OF THESE GROUPS WILL HAVE A MAJOR EFFECT FOR U.S. CORPORATIONS. THE TOP MANAGERS ARE ALL CITED AS COMPETENT AND AUTHORITATIVE IN THEIR RESPECTIVE FIELD. WHAT IS HAPPENING HOWEVER IS THAT THIS GOVERNMENT IS STAMPING ITS OWN BUSINESS ORIENTED STYLE ON THE LEADERSHIP. THE OUT-GOING GOVERNMENT HAD SALTED SENIOR POSITIONS WITH CLOSE ALLIES; WHAT IS INTERESTING ABOUT THESE CHANGES IS NOT THAT THEY OCCURRED BUT THAT THEY TOOK SO LONG TO OCCUR. THIS

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GOVERNMENT IS NOT NECESSARILY PUTTING IN PARTY FAVORITES, BUT RATHER THEY APPEAR TO BE SEEKING THOSE WHO ARE WELL-KNOWN TO THEM WHO ALSO HAVE A STRONG AND SUCCESSFUL BUSINESS ORIENTATION.  
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